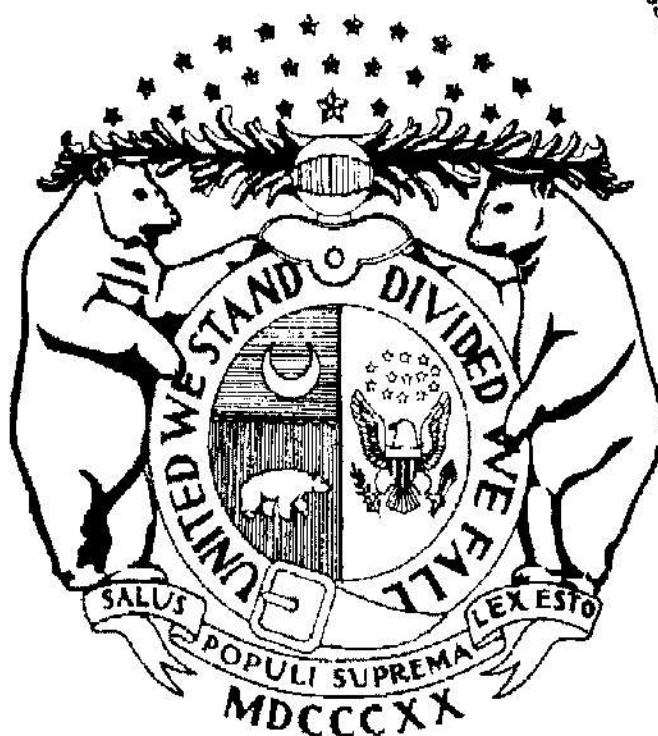


**REPORT OF THE
FINANCIAL EXAMINATION OF
ANDREW COUNTY MUTUAL
INSURANCE COMPANY**

**AS OF
DECEMBER 31, 2008**

FILED
JUL 24 2009
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION**

JEFFERSON CITY, MISSOURI

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May 19, 2009
Savannah, Missouri

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Sir:

In accordance with your examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

ANDREW COUNTY MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company". The Company's administrative office is located at 422 Court, PO Box 263, Savannah, Missouri 64485, telephone number (816) 324-3151. This examination began on April 06, 2009, and concluded on April 10, 2009, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2003 and was conducted by examiners from the State of Missouri. The current full-scope examination covers the period from January 1, 2004, through December 31, 2008, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination also included material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

Comments-Previous Examination Report

The comments, recommendations, and notes of the previous examination report dated December 31, 2003, are listed below followed by the Company's response and the current examination findings regarding such comments, recommendations and notes.

Fidelity Bond

Comment: The Company was directed to increase its fidelity bond coverage to \$50,000.

Company Response: The Company increased its fidelity bond coverage to \$50,000.

Current Findings: The Company's current fidelity bond coverage level of \$50,000 appeared adequate per the NAIC guidelines.

HISTORY

General

The Company was originally organized on December 21, 1889, and was incorporated on July 25, 1890, as Farmers Mutual Fire, Lightning and Windstorm Insurance Company of Andrew County, Missouri. The Company was subsequently known as Farmers Mutual Insurance Company of Andrew County, Missouri, and in 1985 changed its name to Andrew County Mutual Insurance Company. The Company operates under Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Companies).

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the second Tuesday in April, at the home office of the Company or at such other place as may be designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors at any time or can be called upon petition of one-fourth of the members. Eight members shall constitute a quorum at any membership meeting. Proxy voting is permitted.

The management of the Company is vested in the Board of Directors, who are elected from the general membership. The Board of Directors consists of nine members, serving staggered, three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every month. With the exception of the Vice-President, directors are compensated \$100 per each meeting attended. The Vice-President is compensated \$150 per each meeting attended. The President is compensated an additional \$275 per month.

Members serving on the Board of Directors as of December 31, 2008, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Billy Beattie Savannah, Missouri	Retired Farmer	2008-2011
Homer Davidson Lawson, Missouri	Pastor	2007-2010
Connie Wall Savannah, Missouri	Secretary/Treasurer	2006-2009
Terry Evans Cosby, Missouri	Farmer	2008-2011
Debbie Brooke St. Joseph, Missouri	Assistant Secretary/Treasurer	2007-2010
Donald Ussary Savannah, Missouri	Insurance Agent	2006-2009
Ray Furst Cosby, Missouri	Insurance Agent	2007-2010
Richard Knorr Savannah, Missouri	Farmer	2006-2009
Robert Cole Bolckow, Missouri	Farmer	2008-2011

The Board of Directors elects for a term of one year the officers of the Company. The officers of the Company serving at December 31, 2008, were as follows:

Billy Beattie	President
Homer Davidson	Vice-President
Connie Wall	Secretary/Treasurer

Conflict of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company has its directors and officers sign conflict of interest statements on an annual basis. These statements were reviewed for the period under examination, and no potential material conflicts were disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. On May 24, 2004, the Articles were amended to remove the prior notice of annual membership meeting by newspaper publication requirement. On April 13, 2004, the Bylaws were amended to change the word "assessment" to "premium" in line with the company's conversion to a non-assessable mutual, which occurred in 2002. At the 2009 annual membership meeting, the membership approved amendments to the Articles of Incorporation that included authorization to write liability business, changing the annual membership meeting to the final Wednesday in February, and adding a description of the Company's seal.

The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. In addition, the Company's policies for investments and underwriting were reviewed. The minutes and records of the Company appear to properly reflect corporate transactions and events.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000. The fidelity bond coverage of the Company meets the minimum amount suggested in the guidelines promulgated by the NAIC.

The Company carries directors' and officers' liability coverage with an annual aggregate limit of \$2,000,000 and a \$2,500 per loss deductible.

The Company requires its agents to purchase a minimum of \$500,000 in errors and omissions insurance coverage at their own expense.

The Company carries property coverage on its home office and contents, as well as general liability and workers compensation insurance.

The insurance coverage appears adequate.

EMPLOYEE BENEFITS

The Company has one full-time and one part-time employee. The employee benefits package offered by the Company includes contributions to individual retirement accounts and paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DIFP as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, wind and liability insurance in all counties in the State of Missouri. The Company writes fire, wind and liability coverages. The Company's policies are sold by four licensed agents, who receive a commission of 15% on all policies.

Policy Forms and Underwriting Practices

The Company uses AAIS policy forms as well as those from the Grinnell Mutual Reinsurance Company. The policies are renewed annually. Rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured. Inspections and adjusting services are performed by the Company's agents. An independent adjuster is utilized for certain losses.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Gross Premiums</u>	<u>Gross Losses</u>	<u>Underwriting Income</u>	<u>Net Income</u>
2008	\$1,847,584	\$400,475	\$881,739	\$ 538,630	\$ (52,102)	\$ 40,880
2007	1,882,146	475,917	863,217	391,100	(86,114)	(1,183)
2006	1,756,080	348,668	857,793	1,424,105	(31,308)	57,990
2005	1,729,187	379,765	852,908	278,755	111,229	186,431
2004	1,491,812	334,177	747,330	468,361	(71,724)	1,653

At year-end 2008, 1,335 policies were in force.

REINSURANCE

General

The Company's reinsurance premium activity on a direct-written, assumed and ceded basis for the period under examination is shown below:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Direct	\$881,739	\$863,217	\$857,793	\$852,908	\$747,330
Assumed	0	0	0	0	0
Ceded	(325,060)	(296,226)	(264,657)	(241,524)	(285,162)
Net	<u>\$ 556,679</u>	<u>\$566,991</u>	<u>\$593,136</u>	<u>\$611,384</u>	<u>\$462,168</u>

Assumed

The Company does not reinsure other companies.

Ceded

The Company has all of its reinsurance through Grinnell Mutual Reinsurance Company (the reinsurer) under an individual occurrence with aggregate excess of loss plan of reinsurance for property risks. The Company retains \$75,000 for each individual loss occurrence and the reinsurer is liable for losses over \$75,000 with a limit of \$1,000,000 per exposure.

Under the aggregate excess portion of the agreement for property risks, the Company's annual aggregate net retention, or attachment point, is based upon the Company's ten-year average loss ratio, plus a negotiated load, less a credit for the individual occurrence of loss premium rate. The reinsurer is liable for 100% of losses in excess of this retention. The attachment point for 2008 was \$414,111.

The contract has a liability quota share section for liability risks. The Company cedes 100% of the liability risks and premium to the reinsurer and receives a 20% ceding commission.

Under the facultative reinsurance portion of the agreement, the Company may cede risks to the reinsurer that exceed the individual risk limits outlined in the agreement. Rates are determined by the reinsurer on an individual basis.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the company.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on an accrual basis. The Company's accounting firm, Harden, Cummins, Moss, and Miller, LLC, performs an annual audit of the Company's financial statements and prepares the Company's Annual Statement and tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2008, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements. (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and noted in the workpapers for each individual annual statement item.

ANALYSIS OF ASSETS
December 31, 2008

Bonds	\$ 1,674,018
Real Estate	4,544
Cash on Deposit	114,657
Reinsurance Recoverable on Paid Losses	18,447
Computer Equipment	7,389
Interest Due and Accrued	21,591
Asset Write-Ins	6,938

Total Assets	<u><u>\$ 1,847,584</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2008

Losses Unpaid	\$ 44,821
Ceded Reinsurance Premium Payable	24,740
Unearned Premium	327,905
Federal Income Tax Payable	2,120
Payroll Taxes Payable	889

Total Liabilities	\$ 400,475

Guaranty Fund	\$ 150,000
Other Surplus	1,297,109

Total Surplus	1,447,109

Total Liabilities and Surplus	\$ 1,847,584
	=====

STATEMENT OF INCOME
For the Year Ending December 31, 2008

Net Assessments Earned	\$ 556,314
Other insurance Income	50,603
Net Losses & Loss Adjustment Expenses Incurred	(389,489)
Other Underwriting Expenses Incurred	(269,530)

Net Underwriting Income (Loss)	\$ (52,102)

Investment Income	\$ 97,202
Other Income	5,301

Gross Profit (Loss)	\$ 50,401
Federal Income Tax	(9,521)

Net Income (Loss)	\$ 40,880
	=====

CAPITAL AND SURPLUS ACCOUNT
December 31, 2008

Policyholders' Surplus, December 31, 2007	\$ 1,406,229
Net Income (Loss)	40,880

Policyholders' Surplus, December 31, 2008	\$ 1,447,109
	=====

NOTES TO FINANCIAL STATEMENTS

There were no notes to the financial statements.

EXAMINATION CHANGES

There were no examination changes.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

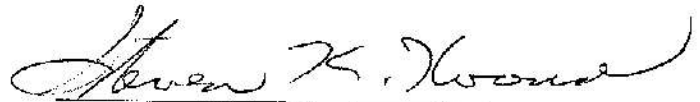
ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Andrew County Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Steven K. Koonse, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.




Steven K. Koonse, CFE
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 19th day of June, 2009.

My commission expires:

March 10, 2013


Notary Public

SUPERVISION



MONICA J. CURLES
My Commission Expires
March 10, 2013
Jackson County
Commission #088797988

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Shannon W. Schmoeger, CFE
Examiner-In-Charge
Missouri DIFP